

**MINUTES**  
**STATE BOARD OF FINANCE**  
**JUNE 21, 2005**  
**OFFICE OF THE OMB DIRECTOR**  
**STATE HOUSE ROOM 212**

Members in Attendance:

Auditor Connie Nass

Charles Schalliol, OMB Director

Kirke Willing, Chief Deputy Treasurer

Also in Attendance:

Patty Bond, Department of Education

Paul Lottes, Deputy Auditor

Mary Burres, Auditor of State's Office

Laura Phillips, Budget Agency

Mary Jane Michalak, IN Group reporter

**CALL TO ORDER**

The meeting was called to order by OMB Director Chuck Schalliol.

**APPROVAL OF MINUTES**

Auditor Nass moved to approve the minutes from the May 12, 2005, meeting, Director Schalliol seconded, and the minutes were unanimously approved.

**DEFERRED COMPENSATION COMMITTEE**

OMB Director Schalliol opened the floor for a discussion about the status of the Board's appointments to the Indiana Deferred Compensation Committee. Auditor Nass stated that she believed the Board should make an appointment since John Lentz had resigned. Deputy Treasurer Willing asked if anyone had received a letter of resignation. Auditor Nass said her office had received an e-mail message from John Lentz stating he was sending his letter of resignation, and she read a portion of the message. She also stated he did not meet the qualifications to serve on the Board since he was not a participant in the Hoosier S.T.A.R.T. Plan. Director Schalliol commented that Tony Armstrong had been considered as a Committee member but there was a question about his qualification to serve on the Committee. Auditor Nass went on to say there was an important Committee meeting coming up and the Committee needed to be at full staff. Deputy Treasurer Willing stated he had discussed the issue with Treasurer Berry who suggested the Board accept the resignations of Judy Rhodes and John Lentz, and hold the next Committee meeting with three members; they could handle the RFP now before the Committee and it would be better for Committee members who were more knowledgeable about pending matters deciding the issues coming before the Committee. Auditor Nass said there were important issues coming before the Committee and it needed to be fully staffed; Judy Rhodes had been approved by both Treasurer Berry and Auditor Nass; and John Lentz's resignation needed to be accepted because he was not a Plan participant. Director Schalliol stated that he had received comments that Judy Rhodes was very deliberate during

meetings and recommended taking the matter of naming new Committee members “off line” and putting the Committee appointments on hold.

Auditor Nass explained that Judy Rhodes is from local government and there needed to be local government representation on the Committee, and the thorough discussions that she introduced at the meetings were valuable for the participants. Deputy Treasurer Willing said he has known Judy Rhodes for 10 years and she has good questions for the Committee; but he did not want an even number of Committee members because it could result in a 2 – 2 tie in voting on matters before the Committee. Deputy Treasurer Willing suggested Steffanie Rhinesmith as a Committee member. Auditor Nass commented that when she speaks at conferences and other gatherings around the state as the Deferred Compensation Plan Administrator, people tell her that there needs to be a local government presence on the Committee.

Auditor Nass suggested that Charles Johnson replace John Lentz on the Committee.

Deputy Treasurer Willing said that Steffanie Rhinesmith would be Treasurer Berry’s first choice.

Director Schalliol commented that Treasurer Berry should be able to propose a Committee member since Auditor Nass has proposed Judy Rhodes. Auditor Nass said the Board cannot keep changing Committee members because there are complex, on-going matters before the Committee and there must be some continuity and institutional knowledge retained among the Committee membership.

Director Schalliol tabled the discussion until after other business was conducted.

When the discussion resumed, Director Schalliol proposed two optional resolutions to the matter: (1) leave Judy Rhodes on the Committee and check with Ryan Kitchell about his opinion of Steffanie Rhinesmith’s qualifications to serve on the Committee; or (2) accept the resignations of John Lentz and Judy Rhodes and possibly replace Judy Rhodes with a local government representative and consider two other people to fill the final position. Auditor Nass stated that she was agreeable with the second option but that she believed that Judy Rhodes should continue to serve on the Committee for now. The Board agreed with this proposal and the discussion was tabled until the next meeting.

### **INDIANAPOLIS DESEGREGATION DISTRIBUTION**

Patty Bond discussed the history of the desegregation financing plan and explained the desegregation distribution request to ratify the April payment actions on May 2, 2005 and approve the July 1, 2005 distribution.

I. Request of the Department of Education for ratification of the desegregation distributions that were made to the Indianapolis School Corporations on April 1, 2005:

A. The April quarterly installments for desegregation represented one-fourth of the estimated expenses for 2004-2005 and totaled \$11,827,675.67. These claims were submitted by seven public school corporations under the Desegregation Order. Transfer tuition comprised

\$7,091,660.63. The residual \$4,736,015.04 was transportation, other desegregation costs and transition support.

Pursuant to the Federal Court Order, section 5(a)(1), the State shall repay itself from the state support due the Indianapolis Public School the lesser of the total amount of transfer tuition payable to all receiving corporations or certain state and local revenues for the students transferred.

Accordingly, the April tuition support payment to the Indianapolis Public Schools was decreased by \$7,821,653.03.

B. On May 2, 2005, the Department of Education paid a capital expenditure claim from the Indianapolis Desegregation account (1000/576000/217000) to MSD Perry Township for replacement buses used to transport students attending MSD Perry Township as part of the IPS Desegregation Order. The original buses were purchased and paid for from the Desegregation account in 1995. These buses were due for replacement as part of the township's ten-year bus replacement plan. MSD Perry Township submitted bills to the Department of Education totaling \$2,217,315.75 on April 6, 2005. Per the Desegregation Order, reimbursement for capital outlays is due and payable 30 days from the billing day, and payment was made within that timeframe.

II. At the request of the Department of Education the desegregation distributions to the following Indianapolis School Corporations effective July 1, 2005, were approved. The July quarterly installment for desegregation represents one-fourth of the estimated expenses for 2004-2005 and totals \$11,827,675.67. These claims were submitted by seven public school corporations under the Order. Transfer tuition comprises \$7,091,660.63. The residual \$4,736,015.04 is transportation, other desegregation costs and transition support.

<u>MSD Decatur Twp.</u>	
Transfer Tuition	\$671,350.21
Regular Transportation	163,655.76
Extracurricular Transportation	42,990.58
Other Desegregation Costs	<u>489,170.36</u>
Total	1,367,166.91
<u>Franklin Township</u>	
Transfer Tuition	\$510,228.85
Regular Transportation	291,622.00
Other Desegregation Costs	<u>357,023.19</u>
Total	1,158,874.04
<u>MSD Lawrence Twp.</u>	
Transfer Tuition	\$544,862.04
Regular Transportation	52,079.23
Other Desegregation Costs	<u>186,128.00</u>
Total	783,069.27

<u>MSD Perry Twp.</u>	
Transfer Tuition	\$1,775,755.55
Regular Transportation	595,236.35
Other Desegregation Costs	<u>862,174.91</u>
Total	3,233,166.81
<u>MSD Warren Twp.</u>	
Transfer Tuition	\$1,290,522.35
Regular Transportation	254,202.91
Other Desegregation Cost	<u>299,812.72</u>
Total	1,844,537.98
<u>MSD Wayne Twp.</u>	
Transfer Tuition	\$2,298,941.63
Regular Transportation	246,625.49
Other Desegregation Costs	<u>536,037.71</u>
Total	3,081,604.83
<u>Indianapolis Public</u>	
Regular Transportation	\$170,755.83
Transition Support	<u>188,500.00</u>
Total	359,255.83

Auditor Nass moved to approve the distributions, Chief Deputy Treasurer Willing seconded, and the distributions were unanimously approved.

#### **DESIGNATION OF A DEPOSITORY FOR PUBLIC FUNDS OF THE STATE**

At the request of Treasurer of State Tim Berry, pursuant to I.C. 5-13-9.5, the "Application for Designation as a Depository of Public Funds" was submitted to the Board for approval on behalf of Peoples Community Bank.

Director Schalliol moved to approve the designation, Auditor Nass seconded, and the designation was unanimously approved.

#### **NEW OR OTHER BUSINESS**

No new business was brought before the Board.

**ADJOURNMENT**

Director Schalliol moved to adjourn the meeting, Auditor Nass seconded, the motion to adjourn was unanimously approved, and the meeting was adjourned.

/s/ Auditor Connie K. Nass

/s/ Charles Schalliol, OMB Director

/s/ Kirk Willing, Chief Deputy Treasurer